



STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

December 11, 2007

Mayor Jim Whitaker, Chairman
Alaska Gasline Port Authority
State of Alaska
411 4th Avenue
Fairbanks, AK 99701

Dear Mayor Whitaker:

The Commissioners of Revenue and Natural Resources of the State of Alaska have received the Application filed on November 30, 2007, by the Alaska Gasline Port Authority ("AGPA") in response to the Request for Applications ("RFA") for a license under the Alaska Gasline Inducements Act ("AGIA").

Under AS 43.90.140(b) and Section 1.13.10 of the RFA, the Commissioners request that AGPA provide the additional clarifying information addressed in the attachment to this letter.

AGPA must submit the additional clarifying information, in writing and signed by an official with authority to bind AGPA, at the address below by 2:00 PM AST on December 18, 2007.

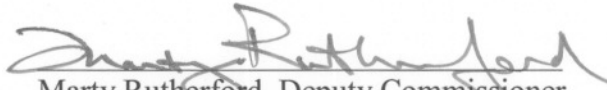
Paper copies must be submitted to:
AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

E-mails or Fax copies must be submitted to:
Mr. Chris Rutz
E-mail: crutz@aidea.org
Facsimile: 907-771-3930

AGIA License Office 550 West 7th Avenue, Suite 1820 Anchorage, Alaska 99501

Information submitted by e-mail or facsimile must be followed with a paper copy mailed or delivered to the address above. We recommend that you contact Mr. Chris Rutz at 907-771-3015, to confirm timely receipt of the information or if you have other questions concerning delivery of the requested information.

Sincerely,

A handwritten signature in dark ink, appearing to read "Marty Rutherford", written over a horizontal line.

Marty Rutherford, Deputy Commissioner
Alaska Department of Natural Resources

Request for Additional Clarifying Information, AS 43.90.140(b)

Confidentiality:

Applicant may request that Proprietary or Trade Secret information submitted in response to this request for additional information be kept confidential. As set out in RFA Section 1.13.6, Applicant must mark each page containing information that it requests to be kept confidential, include a copy of the page with the Proprietary or Trade Secret information redacted, and provide a brief non-confidential summary for each section for which the Applicant seeks confidentiality (AS 43.90.160).

Requests:

1. RFA Section 2 requires the Applicant to present its proposed natural gas pipeline project and related facilities for transporting natural gas from the North Slope to market. AGPA's Application (including the Appendices) appears to describe both a 2.0 billion cubic feet per day ("Bcf/d") project with two liquefied natural gas ("LNG") trains and a 3.4-4.0 Bcf/d project with three LNG trains.

a. Please clearly identify and provide a detailed description of the primary design of the project proposed by the Application.

b. Identify all of the Sections and Appendices of the Application that contain the data required to support the project described in (a) above, and provide a detailed explanation of how the data relates to the project.

2. In responding to a number of the RFA requirements, the Application cross-references Section 7.2 of the Application. For example, at page 59 the Application states that "For a discussion of access to updated detailed technical information related to the Port Authority's Application, please refer to Section 7.2." In turn, Section 7.2 of the

Application states that Bechtel performed updated work for another prospective applicant, and that the AGPA "herein incorporates all cost estimates and other technical work performed by Bechtel for the other prospective applicant by reference." However, no cost estimates or other technical work performed by Bechtel have been submitted.

For each Application section listed below, please identify all of the Sections and Appendices of the Application, other than Section 7.2, that contain the data that are responsive to the respective RFA Sections. In addition, please provide a detailed explanation of how the data relates to the project described in response to 1(a) above.

a. For Application Sections 3.2.2, 3.3, 3.4, and 9.2, responding to the requirement in RFA Section 2.1 to describe the Project components.

b. For Application Sections 4.1, 4.3.1 and 8.1, responding to the requirements in RFA Section 2 introduction and RFA Sections 2.2, and 2.2.3.13 to describe a Project Development Plan.

c. For Application Sections 5.1, 5.2, and 8.2, responding to the requirements in RFA Section 2 introduction and RFA Section 2.3.1 to provide a Project Execution Plan.

d. For Application Section 9.4, responding to requirement in RFA Section 2.3.2 to provide a comprehensive capital cost management plan.

e. For Application Section 13, responding to the requirement in RFA Section 2.10.2 to provide sufficient information to demonstrate and enable the state to verify technical viability.

3. RFA Section 2.10.1 requires the Applicant to provide an analysis of the Project's economic viability.

a. Please identify all of the Sections and Appendices of the Application that contain data and analysis of the economic viability of the project and provide a detailed explanation of how the data and analysis relates to the project described in response to 1(a) above.

b. In addition, please explain how Appendix NN explains the economic viability of and otherwise supports the project described in response to 1(a) above.

4. RFA Section 2.2.3.4 requires the Applicant to describe the proposed services and general tariff terms it proposes to offer, in accordance with AS 43.90.130(2)(C), which requires “a description of all pipeline access and tariff terms the applicant plans to offer.”

a. Please identify all of the Sections and Appendices of the Application that contain the pipeline access and tariff terms the AGPA plans to offer and provide a detailed explanation of how the terms relate to the project described in response to 1(a) above.

b. Please clarify and explain the statement on page 28 of the Application that the Applicant “plans to use existing interstate pipeline tariffs as a model for its terms and conditions of service.”

c. Please identify all of the Sections and Appendices of the Application that contain information responsive to the items listed below and provide a detailed explanation of how the terms relate to the pipeline portion of the project described in response to 1(a) above:

i. description of proposed ratemaking methodologies;

- ii. estimate of rates and charges for all services by third parties.

5. RFA Section 2.2.3.14, quoting AS 43.90.130(2)(D)(ii), states that “if the proposed project involves marine transportation of liquefied natural gas” then an applicant must provide, among other things, “a description of the marine transportation services to be provided and a description of proposed rate-making methodologies; an estimate of rates and charges for all services by third parties; a detailed description of all proposed access and tariff terms for liquefaction services or, if third parties would perform liquefaction services, identification of the third parties and the terms applicable to the liquefaction services....” Please identify all of the Sections and Appendices of the Application that contain information responsive to the items listed below and provide a detailed explanation of how the terms relate to the liquefaction portion of the project described in response to 1(a) above:

- a. description of proposed ratemaking methodologies;
- b. estimate of rates and charges for all services by third parties;
- c. detailed description of all proposed access and tariff terms for liquefaction services or, if third parties would perform liquefaction services, identification of the third parties and the terms applicable to the liquefaction services.

6. RFA Section 2.8.2 requires the Applicant to submit documentation evidencing its financial resources and capabilities to perform Development and Execution of the proposed project described in response to 1(a) above. The Application Section 10.2 references the AGPA’s confidential Financial Model, which appears to be at Appendix NN. Please identify and explain where in the Financial Model, Appendix NN,

the information evidencing Applicant's financial resources and capabilities to perform Development and Execution of the proposed project appears. In addition, please provide a detailed explanation of how the data relates to the project described in response to 1(a) above.

7. Application Section 10.1 refers to "various degrees of written commitments to participate with the Port Authority." Consistent with RFA Section 2.8.1, please provide a detailed description of each entity referenced in Application Section 10.1 with whom Applicant has a written commitment currently in effect and provide a copy of the written commitments.

8. RFA Section 2.9, quoting AS 43.90.130(20), requires the Applicant to "demonstrate the readiness, financial resources, and technical ability to perform the activities specified in the application by describing the applicant's history of compliance with safety, health, and environmental requirements, the ability to follow a detailed work plan and timeline, and the ability to operate within an associated budget." Please identify all of the Sections and Appendices of the Application that contain the information required by RFA Section 2.9 and provide a detailed explanation of how the information relates to the project described in response to 1(a) above.

9. RFA Section 2.11 requires the Applicant to propose a percentage and total amount for the State's reimbursement under AS 43.90.110(a)(1)(A) and (B). Under those statutory subsections, the State's reimbursement may not exceed 50 percent of the qualified expenditures incurred before the close of the first binding open season, and 90 percent thereafter. On page 86 of the Application, the AGPA states that it proposes "a

100 percent rate reimbursement, in a total amount not to exceed \$500,000,000.” Please clarify the reimbursement percentage AGPA proposes:

- a. prior to the close of the first binding open season; and
- b. after the close of the first binding open season.

10. Application Section 4.3, Commercial Plan for Pipeline, addresses third-party Operation and Maintenance of the pipeline. Please identify the third party or parties that AGPA proposes to operate the pipeline.